



**NOTIFICATION OF AMENDMENTS AND ADDITIONS TO THE RULEBOOK OF THE EXCHANGE
(DEALING MEMBERS / TRADING LICENSE HOLDERS' RULES)
AND INVITATION FOR COMMENTS**

I. Introduction

The Nigerian Stock Exchange (The Exchange) is proposing the following new Rule amendments / additions to the Rulebook of The Exchange (Trading License Holders' Rules):

- (a) Proposed Amendment to Rule 10.3(a): Chief Compliance Officer;
- (b) Proposed Cybersecurity Framework and Rules for Trading Houses; and
- (c) Proposed Rules for Fixed Income Specialists on Nigerian Exchange Limited.

II. Summary of the Proposed Rule Amendments and Additions

(a) Proposed Amendment to Rule 10.3(a): Chief Compliance Officer:

The Exchange observes that the present wording of Rule 10.3(a)(2)(A) of the Rulebook (Dealing Members' Rules) includes a phrase that potentially excludes the relevant qualifications of a Chief Compliance Officer, on the basis that said qualifications were not certified by The Exchange, which is not intention of the Rules.

Thus, this amendment seeks to provide additional clarity on the expectations of The Exchange regarding the qualifications of a Chief Compliance Officer. The amendment also adjusts the language of the Rules to include demutualisation-relevant nomenclature.

(b) Proposed Cybersecurity Framework and Rules for Trading Licence Holders:

Innovations in Information Technology (IT) as well as the increasing adoption of IT by firms to facilitate business operations have attracted cyber-attacks and threats, of growing frequency and sophistication, attempting to compromise the confidentiality, integrity and availability of computer systems, networks and databases.

Given that The Exchange's Trading License Holders provide services to investors and holders of securities, and often receive, store and transmit sensitive information, it is imperative that an efficient cybersecurity framework / set of rules (the "Framework and Rules") is developed and implemented by all Trading License Holder Firms in order to ensure investors' protection, reduce systemic risk, and promote a fair, efficient and transparent market.

Thus, the Proposed Rules prescribe an effective approach for Trading License Holders to identify, prevent, detect and respond to cybersecurity risks. The goal is to integrate

continuous cybersecurity awareness and practices into all aspects of Trading License Holders' business operations.

The Proposed Rules will provide numerous benefits, including:

- (i) setting minimum requirements for Trading License Holders on identifying critical information assets that need to be safeguarded and measures needed to ensure their protection;
- (ii) providing a roadmap for firms wishing to identify and close the gaps in their cybersecurity risk mitigation methodology;
- (iii) providing a basis of assessing the extent of the firm's adoption of measures designed to guard against cybersecurity risks and ensure cyber resilience; and
- (iv) ensuring the confidentiality, integrity and availability of the Personal Identifiable Information of investors whether in transit or stored in firms' systems, databases and servers.

(c) Proposed Rules for Fixed Income Specialists on Nigerian Exchange Limited.

In December 2017, the National Council of The Exchange approved the admission of fixed income market participants into The Exchange with a view to attracting incremental fixed income order flows and consolidating The Exchange's strategic vision as a multi-asset bourse. The National Council subsequently approved the framework for on-boarding these participants (fixed income boutique trading firms, Banks and other market participants) on The Exchange. These approvals have triggered the need to make and maintain rules to regulate on-boarded fixed income market participants.

Thus, these Proposed Rules seek to provide a practical guide to the regulation of Fixed Income Specialists trading fixed income securities on the floor of The Exchange. The Proposed Rules will achieve this by prescribing the application and license requirements, minimum capital and net liquid capital requirements, sanctions for contravention of the Rules, etc.

The Proposed Rules will also provide numerous benefits, including:

- (i) facilitating the on-boarding of Fixed Income specialists who will provide liquidity and order flow in the NSE Fixed Income market; and
- (ii) ensuring the effective supervision of the Fixed Income Specialists regarding their activities on The Exchange's Fixed Income market.

III. Invitation for Comments

The Exchange is pleased to invite you to participate in its rule making process. Your



participation is required by way of reviewing the proposed Rule Amendments and Additions; and providing your comments on them. Each of the proposed Rule Amendments and Additions may be viewed by clicking on the hyperlinked texts provided below:

- a. [Proposed Amendment to Rule 10.3\(a\): Chief Compliance Officer](#)
- b. [Proposed Cybersecurity Framework and Rules for Trading Licence Holders](#)
- c. [Proposed Rules for Fixed Income Specialists on Nigerian Exchange Limited](#)

The Exchange views your participation as important for the following reasons:

- To create public awareness and solicit the public's feedback on the proposed Rule additions / amendments; and
- To improve the quality of the proposed Rule additions / amendments and thereby have a robust, well written set of Rules.

We are involving as many stakeholders as possible in this commentary process in order to achieve the aforementioned goals. Please be assured that your comments will be considered in arriving at the final text of the Rules.

IV. Response and Timeline

We will be grateful to receive your comments not later than the close of business on Wednesday, 3 March 2021. Your comments should be set forth in a **Microsoft Word document** attached to an electronic mail to Mr. Oluwatoyin Adenugba, Head, Rules and Interpretation at The Exchange via oadenugba@nse.com.ng.

V. Approvals

Please note that the draft Rules are subject to approvals by the National Council of The Exchange and the Securities and Exchange Commission.

Tinuade T. Awe,
Executive Director | Regulation
10 February 2021